Oral Remarks by Philip E. Greer

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State Employees' Credit Union at the Federal Reserve Board Public Hearing on HMDA, July 15, 2010 at the Federal Reserve Bank of Atlanta

Good Morning. Thank you Governor Duke, Ms. Braunstein, Mr. Chance, Ms. Smith and Mr. Goldstein for the opportunity to participate in this hearing on the Home Mortgage Disclosure Act.

My Name is Phil Greer, and I serve as SVP of Loan Administration for the State Employees' Credit Union in Raleigh, NC. The SECU proudly serves 1.6 million members in North Carolina, composed primarily of public school and state employees and their families. We have 232 branches throughout North Carolina, and have assets of $21 billion, with in excess of $13.6 billion in loans. We typically grant about 15,000 first mortgage loans annually, representing proceeds of approximately $2-2.5 billion. We are primarily a portfolio lender, and 90% of our originations are in the form of a member friendly 2 year adjustable rate mortgage product that we developed in 1993. We presently service approximately 100,000 mortgage loans totaling about $11.4 billion.

Credit Unions are not for profit financial cooperatives with no greater purpose than to serve its' membership with appropriate deposit and loan products. While SECU is the second largest CU in the U.S., we have never operated with growth as a goal in

our business plan. Our goal has always been focused on service, with growth merely being a bi-product. From that perspective, discrimination in the access to our services simply is not acceptable. Our staff of over 4,000 employees knows full well that <u>all</u> members are to be treated equally, and with respect. Exceptions are not tolerated.

The HMDA Act has helped insure that consumers receive fair access to credit in the real estate arena. Discriminatory practices that may have existed prior to the early 1970's are now eliminated for the most part. This fact is tremendously important because home ownership is widely known to be the single most important tool in building wealth in the U.S., and homeowners become better citizens in the communities in which they live. It is essential that we continue to protect fair and equal access to mortgage credit.

Over the past few years, through the subprime debacle, we have seen discrimination morph into a different beast. Where lenders once redlined areas of minority residence as areas to avoid, very clearly subprime lenders redlined areas of minority home ownership as targets for the origination of mortgage loans. The results of this new redlining is perhaps more heinous than the historical redlining practice. In the past few years, African Americans and Hispanics received a proportionately larger share of subprime mortgages, with costly fees and prepayment penalties, than the white community. Foreclosures in the minority segments of our population have occurred at a higher rate per 10,000 loans granted. And regretfully, the

discriminatory practices of subprime lenders remained below the radar of HMDA data. One may assign blame for the subprime issues on a number of guilty parties – the Federal Government, consumers, mortgage brokers, Wall Street, the GSE's etc. I believe that there is no one guilty party, but rather a combined greedy reaction by all resulted in a travesty for millions of consumers who were honest but lacked wisdom. We must revise HMDA in a manner that will make discriminatory practices more transparent.

Before closing my remarks, I feel compelled to speak briefly on ARM's. Quite often the "whipping boy" of the press, traditional ARM's as well as some proprietary ARM programs like at SECU, are not the problem. In fact, for the past decade, most consumers with ARM's have benefited by declining rates of interest without having to incur the cost of refinancing. Properly structured and placed, ARM's can be good for both the lender and the consumer. ARM's like the payment option ARM, improperly placed interest only ARM's and largely unrestricted ARM's like to 2-28 product widely used in parts of the country have been the culprit creating the loss of millions in equity for investors and homeowners. It would be a mistake to classify all ARM's as a predatory or discriminatory product.

Thank you.